
COUNCIL ON EFFICIENT OPERATIONS

.....

Bearing Down on Efficient Public Service



-- "Bearing Down on Efficient Public Service"

SEPTEMBER 1996

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State of Missouri

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When Missourians finance government programs by paying taxes, they expect the best possible value for every dollar invested. To meet and exceed that expectation, state government must not only do things right, it must do the right things.

In the past, parts of government mainly focused on creating programs and services, without asking citizens what they wanted. Over the last four years, Missouri state government has begun to redirect its attention. Through the Commission on Management and Productivity, Interagency Planning Council, and Office of Excellence in Customer Service, we have made enormous progress in controlling government's growth and improving service quality. Still, there is always room for improvement.

That is why the Council on Efficient Operations is launching a new initiative. With the help of government managers, front-line employees, private sector individuals, academics, taxpayers and citizens, we are tackling known problems and mapping our future course. Over the next year, we will develop the framework for continuous improvement and begin fundamental change in state government.

This report serves as a blueprint for change. The plan calls upon common sense, innovative thinking, and frequent review to help trim the bureaucracy and better meet citizen needs. The plan asks all employees, merit and appointed, to make service quality and efficiency their top priorities. The plan asks leadership to support improvement by reducing barriers to innovation and creating opportunities for change.

Dramatic breakthroughs and performance improvements are needed to meet citizen expectations of effectiveness and efficiency. Together, we can improve and deliver results.

Sincerely,

A handwritten signature in black ink that reads "Roger B. Wilson".
ROGER B. WILSON
Lieutenant Governor

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ABOUT THE CEO

Improving the effectiveness and efficiency of state government has been at the forefront of Governor Mel Carnahan's administration. In 1993, he created the Commission on Management and Productivity (COMAP) to assess the state's strengths and weaknesses and to institute reform. By working with public and private sector experts, the commission identified some 50 improvement projects that lead to over \$5 million in annual savings and many times that in long-term savings. To date, Missouri state agencies have started to implement all COMAP recommendations and have completed many of them.

While COMAP realized substantial savings and improvements, it also recognized the need to continuously improve state government. In response, Governor Carnahan appointed the *Council on Efficient Operations* in April, 1996.

Like its predecessor, the Council on Efficient Operations (CEO) is charged with improving the operations of government. In fact, the implementation order charges the council with creating "an ongoing process to identify, select, and pursue consolidation, privatization, effectiveness, and efficiency improvement opportunities in state government functions and processes."



CEO STRUCTURE

Lieutenant Governor Roger B. Wilson accepted the CEO chairmanship at Governor Carnahan's request. Additionally, Wilson asked state agencies, the legislature, and private businesses to lend their support by naming results-oriented, experienced, and innovative thinkers to the council. As a result, the council is comprised of leaders who are committed to instituting continuous improvement, facilitating effectiveness and efficiency, and changing the face of state government.

CONTINUOUS IMPROVEMENT INITIATIVES

Continuous improvement efforts mean different things to different people. Successful businesses, however, see continuous improvement as an overall framework for organizational management. Companies like Xerox, Hallmark, Texas Commerce Bank, and Honeywell have instituted continuous improvement processes to manage all aspects of their business. Their results have included better planning, improved customer service, increased efficiency, and reduced operational costs.

Continuous improvement is not limited to the private sector. While many successful businesses have implemented each of the **continuous improvement (management) components**, government organizations and non-profits are just beginning to recognize their potential. Cities, states, and even the federal government are introducing several components as they begin their improvement efforts. Their hopes are to fundamentally change the “business” operations of their organization.

CONTINUOUS IMPROVEMENT COMPONENTS

- ✓ Management Leadership
- ✓ Human Resource Management
- ✓ Business Process Management
- ✓ Customer Focus
- ✓ Information and Quality Tools

EFFECTIVE, EFFICIENT, AND QUALITY

The terms **effective**, **efficient**, and **quality** are often used by the public sector to describe desired outcomes. It is government’s duty to provide quality goods and services, which means providing effective products that meet customer needs. At the same time, government is responsible for producing and delivering those products efficiently.

In the private sector, effective, quality products and operational efficiency are essential to survival. Business leaders consistently review internal operations to ensure that processes and products meet customer needs and to lower cost, reduce duplication, and eliminate waste. Results of their continuous improvement processes include a stronger organization, increased profit, and long-term viability.

To reach similar results, the public sector must implement continuous improvement processes that focus on the customers, while helping government become more effective and efficient.

Effective - having an effect, producing a definite or desired result.

Efficient - producing a desired effect, product or result with a minimum of effort, expense, or waste.

Quality - the degree to which a product meets customer expectations; what they get is what they want.

Becoming more effective means:

- Understanding who the customers are
- Planning processes, products, and services to meet customers needs
- Providing safe, durable, complete, and reliable products
- Meeting customers needs on a timely basis

Becoming more efficient means:

- Reducing the cost of producing a good or service
- Reducing the time it takes to serve a customer
- Maximizing the resources on hand
- Reducing overhead
- Increasing productivity
- Eliminating duplication and redundancy
- Simplifying processes
- Reducing the number of steps involved
- Eliminating reoccurring errors

VISION, MISSION, & GOALS

MISSOURI VISION STATEMENT

Missouri will be a statewide community, in which state government encourages and supports the pursuit of dreams, security, justice, and opportunity, while working to protect individual rights and freedoms.

Missouri state government shall work with its proud citizens to offer the best quality of life, including:

- *health, safety, and needed support;*
- *world-class schools that lead to good jobs;*
- *good homes in vibrant towns and neighborhoods;*
- *a vigorous economy;*
- *a productive and respected natural environment; and*
- *the opportunity to succeed.*

Missouri state government will be more accountable to Missouri citizens, putting people before bureaucracy. We will rely on integrity, effectiveness, and common sense to exceed the public expectations of responsiveness and excellence, and provide value and dividends for every dollar invested. The measure of success will be results for our customers.

Missouri state government, in partnership with private citizens, will move forward with confidence and hope, staking out a successful and secure future.

Imagine that your automobile is running poorly. After years of driving with only oil changes and minor maintenance, it is no wonder that the brakes squeak, the air conditioner blows hot air, and the paint is fading.

Repairing all that is wrong with the car is a difficult task. But, the owner begins by asking a series of questions about the car.

WHAT'S WRONG?

What symptoms does the car possess? Often, we can readily see what is wrong and what needs to be fixed. By identifying the problems, we narrow the scope of our review. For instance, if we see the muffler dragging on the ground or if we hear the brakes squeaking, we know to repair those items.

WHAT NEEDS TO BE FIXED?

Are these the only repairs to be made? It is easy to think that the only items needing repair are those we see and hear. Yet, a variety of other ailments may exist. If we wanted to truly make repairs and get the vehicle in the best possible condition, wouldn't we want to know what really needs to be fixed?

As owners, we can't know all the problems just by looking at the car. We need to open the hood and check the engine. By doing so, we will produce a checklist of items needing attention.

Like a car owner, Missouri state government needs to repair the vehicles that deliver services to its citizens. In fact, state government realizes that it must not only maintain itself, but it must also continuously improve, becoming more effective and efficient.

The *Council on Efficient Operations (CEO)* serves as a resource for those who wish to make systemic change. For the legislature and governor, the CEO will develop a continuous improvement process. For departments, the council will provide the support, tools, guidance, and communication needed for positive change. Additionally, the council will sponsor state-wide efficiency opportunities, share best practices and successes, and facilitate meetings and discussions. For citizens, the CEO will achieve effective and efficient government operations.

The CEO's work does not stand alone. The CEO's work is an integral part of Missouri government's improvement. Working with the Commission on Management and Productivity, Interagency Planning Council, and the Office of Excellence in Customer Service, the CEO will propose solutions to streamline and revitalize state government.

VISION

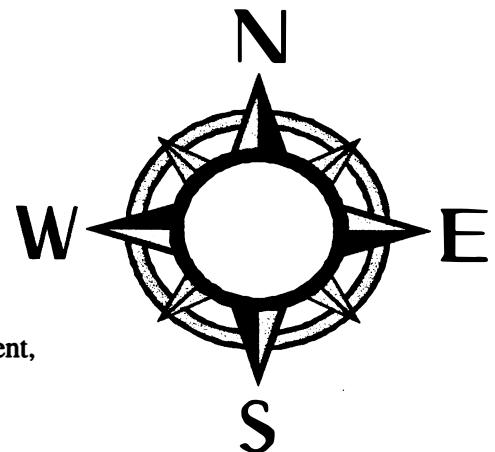
An effective and efficient government is vital to reaching the Missouri Vision. Through continuous improvement and operational excellence, Missouri state government will become more accountable to citizens and enhance the delivery of public goods and services. Through common sense, innovative thinking, and frequent review, we will spawn a new era in public service -- not only doing things right, but doing the right things. The measure of success will be concrete results for Missouri citizens and positive returns on every dollar invested.

MISSION

The Council on Efficient Operations' mission is to enable effective and efficient government operations.

GOALS AND ACTIVITIES

The CEO's goals are easily defined, but have long term implications. However, to fundamentally improve state government, these goals must be attained:



Rightsize State Government

- Develop and institutionalize a continuous improvement process in Missouri state government
- Identify, select, and create opportunities to improve the functions, processes, and operations of state government
- Develop methodologies, case tools, and handbook for examining and reviewing improvement opportunities
- Identify and prioritize improvement initiatives that have major state-wide impact on one or more departments

Provide Value for Taxpayers

- Introduce and encourage competition, consolidation, and privatization as a means to reduce costs and improve effectiveness
- Provide recognition by communicating improvement activities and results to the legislature, governor, and public
- Formulate philosophy, values, and principles that guide improvement efforts

Cut Red Tape

- Assist state agencies by sponsoring statewide efficiency projects
- Reduce and eliminate unnecessary rules and regulations
- Streamline government operations and processes
- Report efficiency opportunities, improvement recommendations, and barriers to the Governor, Speaker of the House, President Pro-Tem of the Senate, and departments

CHALLENGES

As the State of Missouri and other governmental organizations enter the new millenium, they face a variety of challenges. Budget cutbacks, increased need, and expanding populations present the public sector with difficult decisions. To meet these challenges, governments are reforming by better understanding their customers, asking fundamental questions, involving employees, and developing processes to continuously improve.

THE RIGHT TIME FOR REFORM

Government has always worked hard to provide goods and services to citizens. But working hard, and doing the right work may be two different things. Governments need to make sure they are completing the work necessary to provide citizen services and meet customer demands. Where government does not, it must reform and restructure.

It is the right time for reform in Missouri state government. While state employees work hard to meet citizen needs, many of the systems in which they work are creating barriers, spawning inefficiencies, and limiting ingenuity. These same systems are more concerned with maintaining the system's structure than with meeting customer needs. One example of such a system is that of state-issued permits. Government agencies have developed permitting structures internally, each requiring multiple signatures and steps. In turn, citizens often must contact several departments, complete many complicated forms, and wait several weeks or months for results.

Systems like these are ineffective and inefficient. Government must improve the systems by removing the barriers that inhibit employees from meeting customer needs.

IMPERATIVES FOR REFORM

- ä Government must be held accountable for results
- ä Government must have a strong customer focus
- ä Government must streamline fragmented and overlapping services
- ä Government must replace outdated, rigid, and redundant systems
- ä Government must deal more effectively with frequent turnover of top management

UNDERSTANDING THE CUSTOMER

One of the greatest challenges government faces is understanding the customer. Knowing who the customer is and what the customer wants is vital to reforming and improving government. In Missouri, the Office of Excellence in Customer Service (OECS) is working with state agencies to identify the customer and understand their needs.

PROCESS

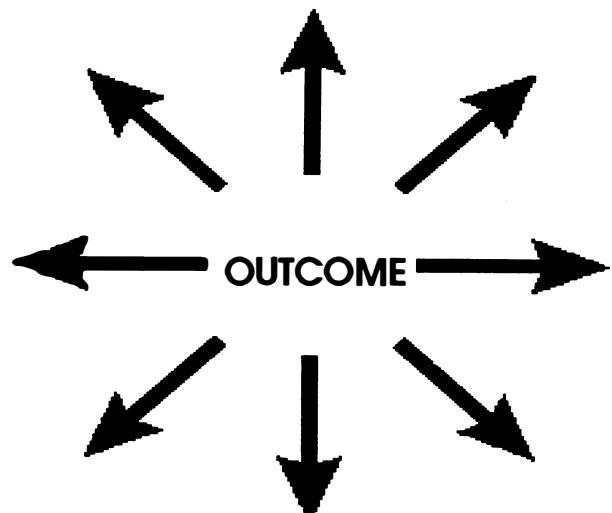
To meet customer needs, Missouri must realign its priorities with the customers. Robin Lawton, author of Creating a Customer-Centered Culture, suggests that government often emphasizes process over product and outcome.* However, government's customers take the opposite perspective. Their priorities are 1) outcome, 2) product, and 3) process. Essentially, that means citizens are most concerned with issues like good education, reduced crime, and better health. They are much less concerned with how government reaches those outcomes (i.e. paperwork, personnel, computer systems, and administrative procedures).

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FUNDAMENTAL QUESTIONS

To face the challenges of effectiveness, efficiency, and quality, governments must focus on their customers. Any improvement in the organization or its process must consider the end-user, the citizen. Businesses which focus on the customer find that efficiencies will naturally follow. According to Lawton, Xerox, Ford Motor Company and others, organizations hoping to improve should ask themselves fundamental questions, including:

- 1) What do we do?
- 2) Who do we do it for?
- 3) What do they want?
- 4) What is our vision?
- 5) How can we translate our vision, mission, and values into action?
- 6) What business are we in?
- 7) How well do our products meet and satisfy customer needs?
- 8) How can we improve customer satisfaction and our performance?
- 9) How effective are we?
- 10) How efficient are we?
- 11) How can we improve effectiveness?
- 12) How can we increase efficiency?



* References to Robin Lawton, including the fundamental questions and the prioritization of outcome, product, and process have been used by the CEO with the permission of International Management Technologies.

EMPLOYEE INVOLVEMENT

Implementing change and improvement initiatives is a challenge to all organizations. Both private and public sector organizations struggle with integrating improvements and with helping the organization accept the change. In nearly every case where organizations have difficulty implementing good ideas, there is a lack of employee involvement.

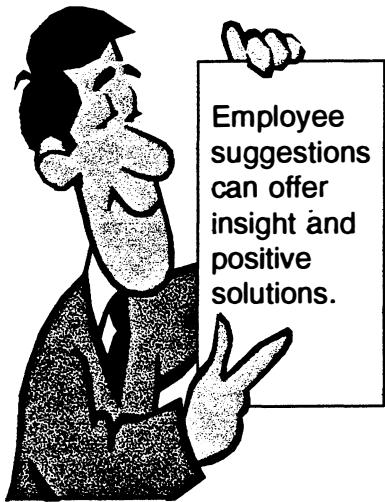
The same challenge holds true for Missouri state government. In order to improve government - whether through strategic planning, customer focus teams, quality initiatives, or efficiency projects - employees must be involved.

Employees should be involved up-front, rather than being presented with policies and actions to be implemented. As we learned during COMAP, artificial barriers can block good ideas if employees feel threatened by new ideas. Regular involvement allows all employees to express their concerns, while allowing decision makers to learn about improvement implementation first-hand. Most importantly, some of the best ideas come from the people who provide the service directly.

Agencies like the Department of Revenue have already learned this. Their "Bureaucracy Busters" program allows employees to give improvement suggestions directly to Department Director Janette Lohman. The process allows all employee suggestions to be fully reviewed before adoption. As a result, 24 different obsolete policies and practices have been eliminated or revised. *For more information about the program, contact Kay Dinolfo at (573) 751-8222.*

Likewise, the Department of Labor utilizes a series of roundtable discussions to involve employees. Director Sandra Moore regularly gathers employee representatives from each division to discuss departmental issues. The Director's Employee Roundtable allows employees to present new ideas and learn about management decisions. *For more information about the roundtable, contact Lori James at (573) 751-9691.*

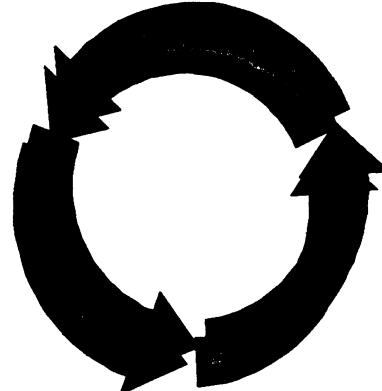
While many departments are involving employees in decisions, it is crucial that state government, as a whole, emphasize the benefits of employee involvement. Our employees are bright, talented, and competent. We should encourage their ingenuity and welcome their suggestions by involving them in the improvement process.



CONTINUOUS IMPROVEMENT PROCESS

Improvements come in many shapes, sizes, and forms. The State of Missouri, like other state governments, has a tendency to focus on improvements that can be completed quickly. In fact, our improvements tend to be focused on singular problems, rather than on the whole organization. While these focused efforts can save millions of dollars, they do not drastically improve the organization -- they are not the type of efforts that turn a troubled business into an industry leader.

Businesses which have turned themselves around, like Ford Motor Company, Taco Bell, and Xerox, have implemented organization-wide, long-term, and continuous improvement efforts. These businesses have made the continuous improvement elements (pg. 2) a part of their overall management structure.



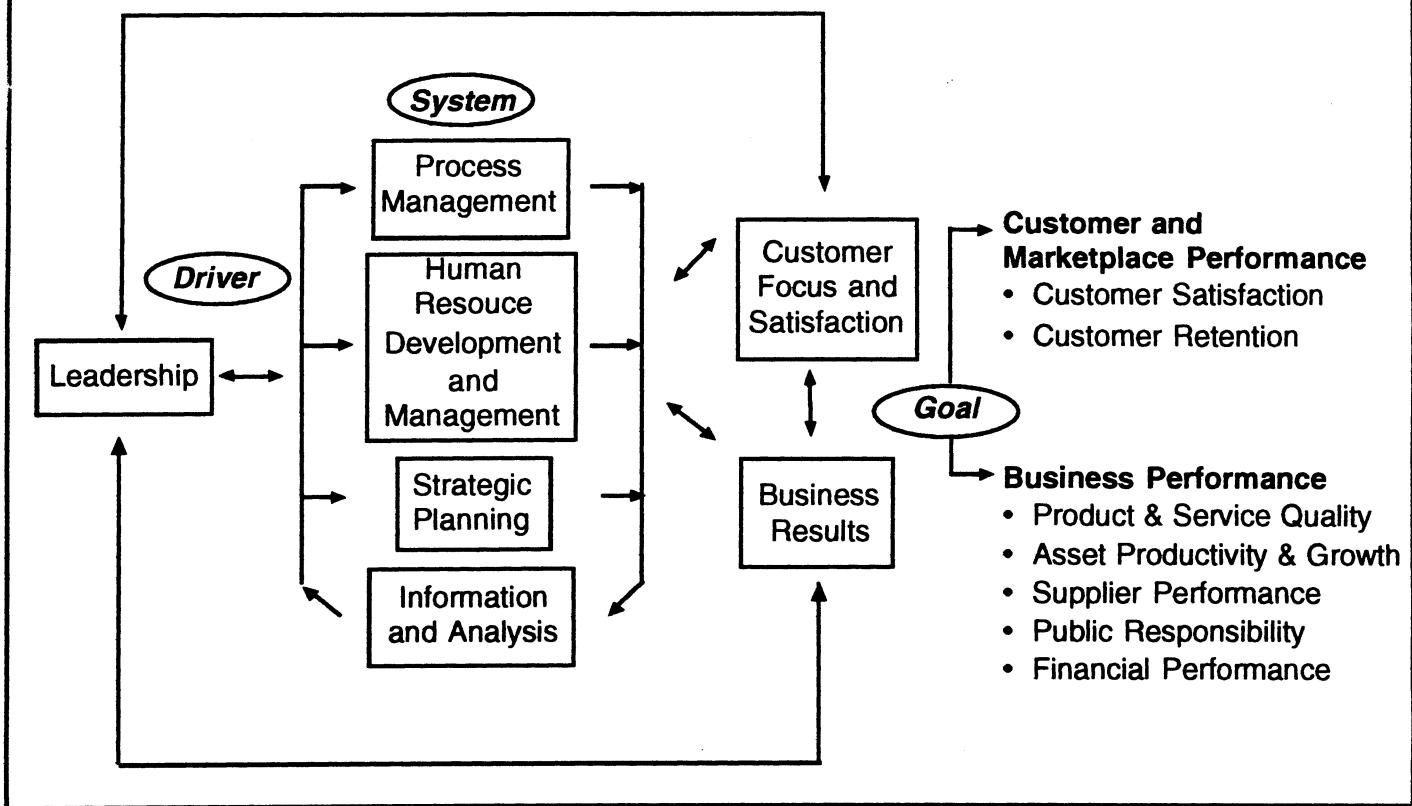
Each of the continuous improvement elements are essential to business success. Both the Malcolm Baldrige Award and the Missouri Quality Award programs recognize the elements as criteria for quality organizations. Ultimately, the elements provide feedback for improving the organization's performance, communication and sharing of best practices, and management of planning, training, and assessment.

When organizations design and implement a continuous improvement process, one of their greatest difficulties is explaining and communicating the process. Often, a model is developed to illustrate the relationship among elements and the sequence of events. The model helps management, employees, and customers see how individual elements and efforts fit into the "big picture" of organizational improvement.

MISSOURI QUALITY AWARD CRITERIA

- ✖ Leadership
- ✖ Information and Analysis
- ✖ Strategic Planning
- ✖ Human Resource Development and Management
- ✖ Process Management
- ✖ Business Results
- ✖ Customer Focus and Satisfaction

Missouri Quality Award Management Model

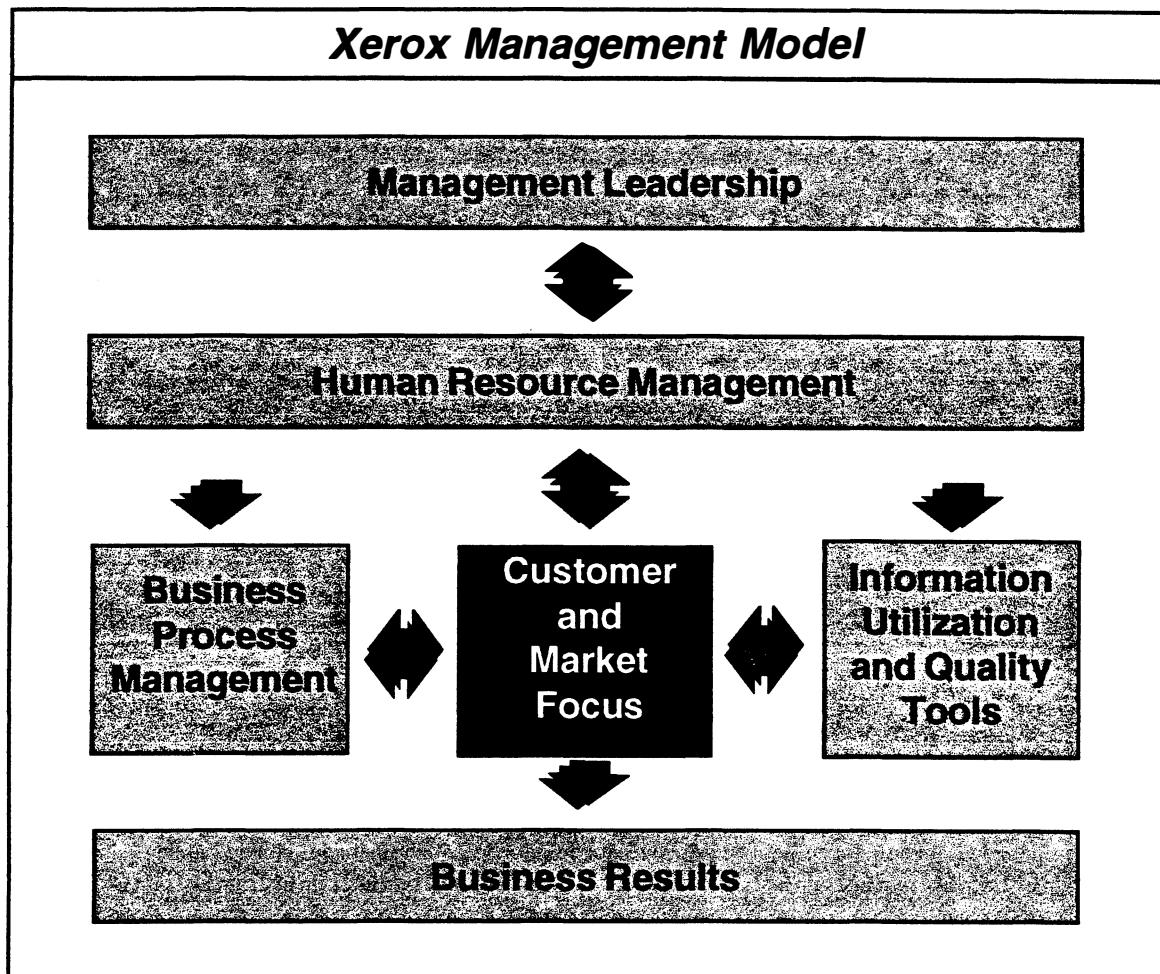


The *Missouri Quality Award Management Model* is currently used by the Excellence in Missouri Foundation, the Office of Excellence in Customer Service, and several state agencies. Leadership serves as the “*driver*” as management sets direction and creates shared values. The “*system*” comprises a set of integrated processes designed to meet customer needs and performance requirements. The “*goal*” is two-fold: customer/marketplace performance and business performance.

The elements displayed in the Missouri Quality Award Model are also used by private business. As an example, the *Xerox Management Model*, integrates continuous improvement elements and the quality award criteria. **Management Leadership** provides the vision and strategic direction, as well as fact-based management, empowerment, and communication. **Human Resource Management** focuses on the development of employees and management, while also involving, rewarding, and recognizing employees. **Business Process Management** include process reengineering, process performance and measurements, and improvement steps. **Customer and Market Focus** deals with customer satisfaction.

Information Utilization and Quality Tools includes benchmarking and other tools to help improve quality. Finally, Business Results are the outcomes realized by the business after completing the first pass of the continuous improvement process.

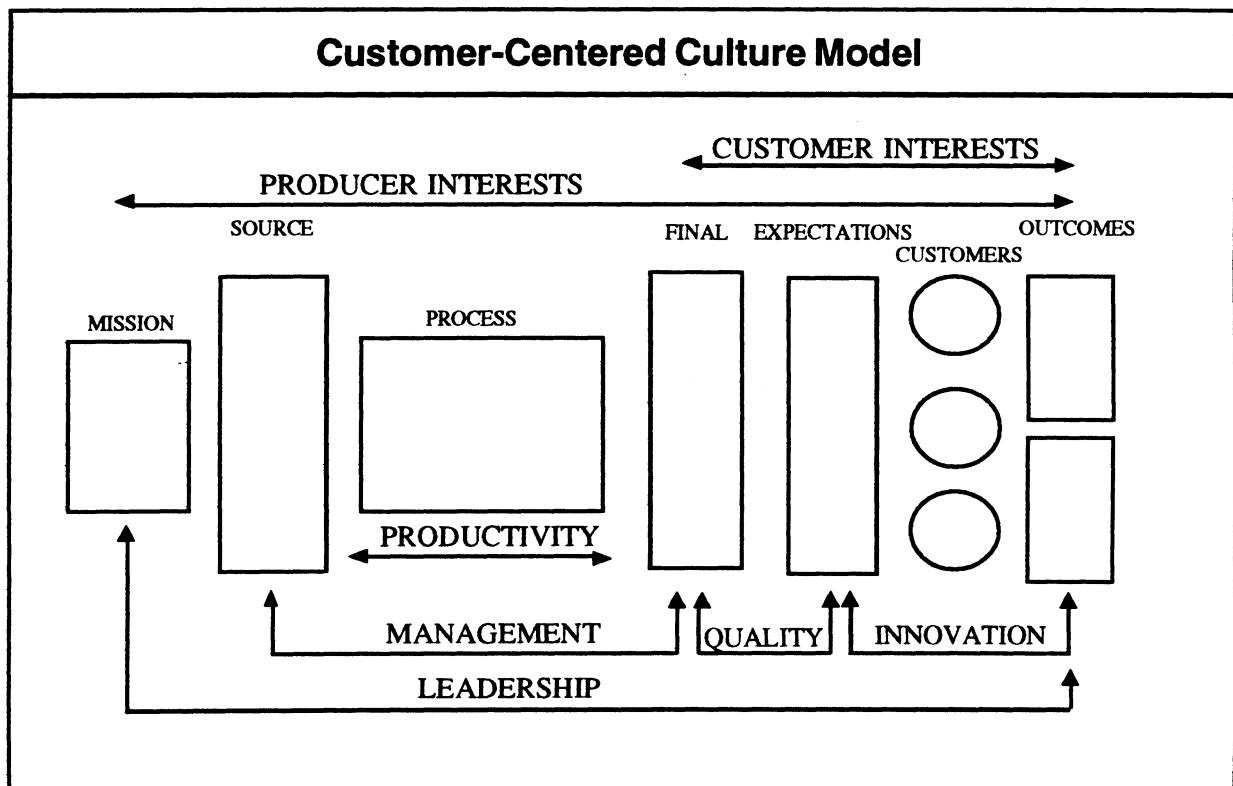
To dramatically improve the operations of Missouri state government, a continuous improvement process, such as the Missouri Quality Award and Xerox models, should be implemented. The process would serve as an overall management process and link customer satisfaction, strategic planning, annual budgeting, executive leadership, and process improvement together.



In the coming year, the Council on Efficient Operations, the Interagency Planning Council, and the Office of Excellence in Customer Service plan to work collaboratively in identifying areas and methods for improvement in Missouri state government.

To reinforce several components of the continuous improvement process, the CEO is considering a method currently used by the OECS' Customer Satisfaction Project Teams and the Department of Economic Development. This method, developed by Robin Lawton, focuses on the customers' expectations and helps design effective and efficient products and processes.

Applying Lawton's method to the continuous improvement process, *leadership and management* are provided through the Governor's Office and Interagency Planning Council. Together, they link strategic planning and mission development with outcomes. Outcomes will help set the mission, which ultimately determines source products. *Quality and innovation* are directed through the Office of Excellence in Customer Service. The OECS helps departments, the Governor's Office, and the IPC understand who the customers are, and what they expect from state government. Finally, *productivity* is considered by the Council on Efficient Operations. The CEO works with both the IPC and OECS to ensure that systems and programs are providing the most efficient service. The CEO deals with the source product (inputs), the process, and the final product.



RIGHTSIZING GOVERNMENT

When Missouri's first constitution was written in 1820, it designed a government that took care of certain essential functions. Since that time, state government has been asked to address and resolve additional issues and problems. From highways, to education, to child support enforcement, the State of Missouri has excelled at developing new programs, services, and products to meet changing citizen needs.

During the last 50 years, state government has grown rapidly to address new issues. However, during that growth, duplicative and redundant services were created. Additionally, other services became outdated or the need for such services diminished. Today, the challenge before state government is to eliminate outdated services and reduce duplication, so that we can redirect our energy and resources toward the most pressing issues. Therefore, one of the CEO's goals is to rightsize state government.

REACHING THE GOAL

Rightsizing state government will be a very difficult task. However, it can be accomplished through a series of *objectives*, which begins with a continuous improvement process.

Developing Missouri's Continuous Improvement Process will be the main objective of the Council on Efficient Operations. Over the next few months, the CEO will work with the Interagency Planning Council and the Office of Excellence in Customer Service to outline the overall process. The process will address the continuous improvement components (pg. 2) and the Missouri Quality Award Criteria (pg. 8).

Over the next year, the CEO and others will work to develop the tools necessary to implement continuous improvement. The CEO will review methodologies, case tools, handbooks and other material that assist improvement efforts. In turn, the CEO will assist state agencies in improving their internal operations.

The CEO will also develop a timeline for implementing the continuous improvement process. Working with other organizations, council members will fully integrate strategic planning, customer satisfaction, and efficiency improvements into the budget cycle. While the full implementation may take several years, a plan for phasing in different components will be developed.

Finally, the CEO will work with agencies and other organizations to identify and prioritize improvement initiatives on a continuing basis. As the process is implemented, the CEO will help coordinate plans to improve state government. The CEO will work to gather agencies which are making similar improvements and facilitate their mutual learning, understanding, and cooperation.

OBJECTIVES:

- ◆ Develop Missouri's Continuous Improvement Process, in conjunction with the IPC and OECS.
- ◆ Develop tools necessary to implement continuous improvement.
- ◆ Develop a timeline for implementing continuous improvement.
- ◆ Identify and prioritize improvement initiatives.

PROGRESS TOWARD THE GOAL

Progress toward rightsizing state government has been made in two different areas. First, steps have been taken toward the development and implementation of Missouri's continuous improvement process. Second, several tools have been developed to help implement continuous improvement.

PROBLEM SOLVING PROCESS STEPS

- 1) Forge an Initial Agreement to Act
- 2) Develop an Effective Problem Definition to Guide Action
- 3) Search for Solutions
- 4) Develop a Winning Proposal
- 5) Adopt Solution
- 6) Implement Solution
- 7) Reassess Policies and Programs

Steps Toward Continuous Improvement

The CEO is examining a variety of continuous improvement models. Reviewing what other states and businesses have implemented will provide the CEO with data about successful improvement processes. This information will prove useful as the CEO, Interagency Planning Council, and Office of Excellence in Customer Service design Missouri's continuous improvement process.

Additional progress has been made through the IPC's strategic planning process. Strategic planning is a core element in continuous improvement. Through strategic planning, state agencies' programs and products have been identified. The compilation of this data helps identify duplication and redundancy.

More importantly, the IPC has identified several issues facing the State of Missouri. While they have not been prioritized, the issues include:

- Economic and workforce development;
- Children and families;
- Health;
- Education;
- Environment;
- Agriculture;
- Public Safety;
- Infrastructure;
- Government service and accountability; and
- Diversity.

Steps Toward CI Tool Development

The CEO has surveyed a variety of agencies, state governments, and businesses to understand the tools used in implementing continuous improvement. Currently, information has been gathered on privatization and consolidation, as well as processes designed to resolve specific problems or issues.

To date, the CEO has developed a "*Problem Solving Process User's Manual*." This manual outlines a series of *steps* to resolve specific or identifiable issues. The problems solving process will be used by the CEO when confronting state-wide efficiency issues.

NEXT STEPS

While many of the goods and services state government produces are needed, there are many that are no longer needed. Missouri needs to follow in the footsteps of other states (California, Georgia, North Carolina, Virginia, and New York) by eliminating the obsolete. According to Peter Drucker, a renowned management expert, Missouri state government should begin by assessing its operations and asking "If we weren't doing this already, would we start it today?"

No one person knows all the things that state government does, nor why it does them. To move forward, in conjunction with the development of a continuous improvement process, state government should consider eliminating the obsolete, and consolidating the overlapping.

PROJECTS TO RIGHTSIZE MISSOURI STATE GOVERNMENT

Currently, several projects have been identified to help rightsizing Missouri state government. These projects include: 1) restructuring the bid and grant process for domestic violence programs; 2) shared government offices; 3) field equipment sharing; 4) vehicle management and maintenance; 5) state park lodges, concessions, and other services; and 6) highway rest areas.

Each project is utilizing the problem solving process to develop an understanding of how we currently do business. In turn, the CEO will work with departments to rightsize or streamline the operation. Project charters or descriptions are listed below.

Bid and Grant Process for Domestic Violence Programs

Currently, several Missouri state agencies operate domestic violence programs. The agencies may receive funding from different federal sources, yet grant funds to the same local providers. Local providers have become concerned with the potential for overlap. The providers are also concerned that state agencies have duplicative and redundant systems, which increase the cost of overhead and grant administration.

The CEO is developing a team of public safety, social services, and mental health employees who manage these programs. They will address the possibility of coordinating domestic violence programs and their granting processes.

"To provide for the public good, we must be honest with ourselves.

We must be honest enough to identify our duplicative programs and services, and tough enough to cut those that are inefficient."

*Lieutenant Governor
Roger Wilson.*

Shared Government Offices

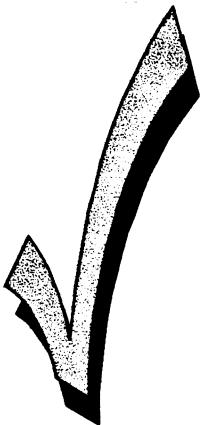
Office space, buildings, and facilities are vital to conducting the state's business. However, the cost of such space can be minimized by sharing government offices and using the space appropriately. As an example, several agencies have printing equipment and storage space taking up valuable office space in state-owned buildings. At the same time, agencies are leasing office space for employees to work. If the equipment and storage were moved to less costly locations, and employees were housed in the state-owned office space, a reduction in cost could be realized.

To reduce costs and better meet citizen needs, the CEO plans to encourage the application of the "Office Space Guidelines." Additionally, the CEO hopes to encourage departments, branches, and levels of government to share office space. The "Shared Government Offices and Facilities Team" has been organized to review this issue. Their mission is to reduce space costs, without hindering the operations of work units.

Field Equipment Sharing

Sharing equipment will reduce costs and minimize the state's investment in field equipment. Today, state agencies purchase and maintain like equipment, potentially resulting in under-utilized equipment and high operating costs. Occasionally, agencies loan that equipment to others with no provision for cost reimbursement. Because the state can optimize its equipment investment, the "Field Equipment Sharing Team" has been organized to address the issue.

The CEO's expectations are that: 1) the team will develop a process for sharing equipment; 2) a method for computing rental rates will be developed; and 3) the team will develop a process for disseminating information about equipment inventories and availability. These efforts will result in better utilization of equipment and lowered cost for the State of Missouri. The CEO expects periodic progress reports so it can provide re-direction or refocusing, while giving the team the resources and freedom to function effectively.

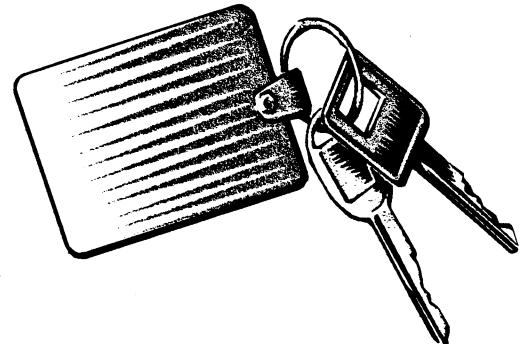


Vehicle Management and Maintenance

The State of Missouri uses a number of vehicles when conducting state business, including those which are employee-owned, state-owned, leased, and rented.

Currently, the costs associated with these vehicles are unknown. To become more efficient and effective, Missouri needs to examine other studies and practices (both public and private sector). In turn, state government may be able to increase efficiency, reduce cost, and better utilize vehicles.

As a result, the CEO has organized a team of employees and private sector individuals to review the issue. The team will work to improve cooperation among departments and the private sector, while creating a customer friendly system that provides safe and reliable vehicles. During its work, the team will address 1) the systems used to manage and maintain vehicles; 2) the team state and employee liability and insurance issues in regard to vehicle operation; and 3) state compliance with alternate fuel regulations.



State Park Lodges, Concessions, and Other Services

Currently, the State of Missouri operates a variety of services within state parks. Many of those services are privatized, yet others are provided in-house. While these services are necessary, it may be possible to contract for many of these services. For example, the State of Georgia has contracted out its lodges, concessions, and other services.

Missouri state government may want to find similar alternatives. The CEO has asked the Department of Natural Resources to study such alternatives. Results of the study will help guide future efficiency projects relating to state parks.

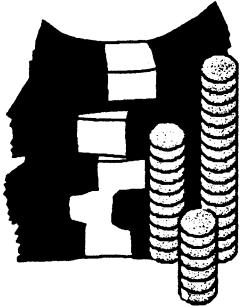
Highway Rest Areas

Maintaining highway rest areas is an expensive task. However, several states have found that they can lower these costs, and perhaps earn a profit, by involving private sector businesses and non-profit organizations.

The CEO has asked the Department of Transportation to review the operation of rest areas. The review will include the possibility of developing a franchise that builds on the property, maintains the grounds, and pays taxes or dividends to the state. One example is the State of Illinois, which has franchised with McDonalds, Hardees, and other fast food chains. The state franchises for a period of time and earns revenues through leasing the grounds.

PROVIDING VALUE FOR TAXPAYERS

Missourians work hard to earn a living. And when their earnings go to support state, local, and federal government, they expect government to do the same. In fact, citizens demand that government provide a positive return for every taxpayer dollar invested.



Ensuring the return taxpayers receive means providing effective and efficient public goods and services. That means state government must reduce costs and improve the effectiveness of every good and service it provides. To realize such value, many public and private sector organizations are introducing competition, privatization, and consolidation.

REACHING THE GOAL

Providing value for the taxpayers means ensuring that state governments programs, projects, goods, and services are both efficient and effective. Ensuring value will prove challenging for government, yet progress can be made through the following *objectives*.

Introducing and encouraging competition, consolidation, and privatization will be a component of the Council on Efficient Operation's work. The CEO will work with agencies to review their current programs and services to find efficiencies. Additionally, this process will become instituted through the continuous improvement process.

Throughout the year, the CEO will recognize state agencies who make dramatic improvements and provide results. By communicating these results, the Governor, legislature, and public will better understand the efforts taken to provide valuable services.

The CEO will also work with the Governor's office, the legislature, and agencies to formulate philosophies, values, and principles that guide improvement efforts. To ensure long-term success and efficiency, we instill a mission of both quality and efficiency. All public officials and employees should believe that mission and promote it.

OBJECTIVES:

- ◆ Introduce and encourage competition, consolidation, and privatization.
- ◆ Recognize and reward agencies' improvement efforts.
- ◆ Formulate philosophies, values, and principles that guide improvement efforts.

PROGRESS TOWARD THE GOAL

To ensure value for the taxpayers, the Council on Efficient Operations has undertaken the task of learning about different competition, consolidation, and privatization efforts. Additionally, it has begun the process of understanding the different measures state agencies have taken to reduce costs and increase effectiveness. Preliminary findings are presented in the following sections.

MONOPOLY VERSUS COMPETITION

Competitive government is not a partisan issue. In fact, the issue at hand is not one of public versus private, but of monopoly versus competition. Mayors, Governors, legislatures, and even President Clinton support such competition. Some of the country's leading advocates include Chicago Mayor Richard Daley, Cleveland Mayor Michael White, Philadelphia Mayor Ed Rendell, Michigan Governor John Engler, California Governor Pete Wilson, and Georgia Governor Zell Miller. All agree that using competitive markets to reduce costs and provide quality services to citizens is the smart way to do business.

PROVEN SAVINGS

Government agencies that embrace competition find a dramatic improvement in their efficiency. In fact, dozens of academic studies have proven that competition typically offers cost savings between 20 and 40%.

Massachusetts, for example, saved taxpayers more than \$273 million through competition. Indianapolis reduced the cost of wastewater treatment by 44% by introducing competition.

Of course, it doesn't always make sense to contract out; rather, state agencies should decide on a case-by-case basis. *As a part of the continuous improvement process, agencies should regularly consider whether to retain, modify, privatize, or eliminate the good or service.* Such a cost-benefit analysis will allow agencies to realize cost savings, efficiencies, and quality. The CEO will develop an approach for analyzing such information.

The Council on Efficient Operations appreciates those who work within Missouri state government. The CEO will take steps to help departments retain their valuable employees and minimize the impact of contracting, privatization, and consolidation on public employees. The CEO will help employees work with private contractors or place bid themselves, shift qualified workers to other positions, and utilize attrition as a means of reducing the workforce.

THE YELLOW PAGES TEST

The City of Indianapolis uses the "yellow pages test" to identify candidates for privatization. If a service provided by government is advertised by private companies in the yellow pages, it is a good candidate for privatization.

A study by the U.S. Department of Labor suggests that contracting does not create widespread layoffs. In fact, the study finds that out of 2,000 public workers, only 7% were laid off, while 58% took work with the contractor, another 24% were shifted to other positions within government, and 7% retired.

The State of Missouri has many outstanding workers. Working with those employees, state government can introduce greater quality and efficiency through competition.

COMMON BARRIERS TO COMPETITION

Federal

- Tax Laws
- Grant Repayment Terms

Statutory

- Lack of clarity/consistency with regard to statutory provisions of privatized public works

Procurement

- Issuing standard procedures for conducting cost comparisons that fail to compute all costs of government services delivered

ADVANTAGES OF COMPETITION

Many reasons explain the movement by states toward competition to provide value for taxpayers. Much of the impetus is the desire to inject competition into the delivery of state services in order to provide services to citizens in a more efficient and cost-effective manner. If structured appropriately and sufficiently monitored, competition can:

Save Taxpayer's Money

In over 100 studies, the average cost savings from contracting out services to the private sector has ranged from 20 to 40 %. For some services, such as prison construction and operation, savings are generally less, while others, such as highway resurfacing, are often greater. Competition not only saves money, it generates new tax revenues from private contractors who pay taxes and license fees, while state organizations do not.

Increase Flexibility

Competition gives state officials greater flexibility to meet program needs. Officials can replace the private firm if it isn't meeting contract standards, cut back on service, add to service during peak periods, or rightsize as needed.

Improve Service Quality

Competitive bidding encourages in-house and private service providers to provide quality services in order to keep complaints down and keep the contract. Monitoring a contractor's performance alerts the state and the vendor to quality control issues.

Increase Efficiency and Innovation

Competition encourages organizations to find less expensive operating procedures. It also encourages and stimulates innovation. To maintain their contract, organizations develop innovative, efficient methods for providing goods and services.

Streamline Government

Competition encourages the streamlining of procedures and reduction of overhead. Government organizations find it more advantageous to contract-out functions that are difficult to manage or underperforming. Under private management, such functions are often reinvigorated.

Improved Maintenance

Competition encourages organizations to maintain their equipment and assets to keep costs low. On-going care for materials, buildings, and other assets is often less costly than replacement.

WHY A COMPREHENSIVE APPROACH?

Missouri's continuous improvement process should introduce competition. By injecting competition into a periodic business assessment, state government would have greater success at reaching the benefits of privatization. Cost savings would be also increased. Rather than allowing only a few functions to compete, competition would identify more potential services to be contracted.

Overall, competition as a part of the continuous improvement process would: 1) bring down service delivery costs and 2) move the state out of providing services that can be provided by the private sector.

PROJECTS THAT PROVIDE VALUE FOR TAXPAYERS

Several efficiency and effectiveness projects are currently being studied by the Council on Efficient Operations and state agencies. They include: 1) state travel; 2) state procurement cards; 3) payroll administration; 4) housekeeping services; and 5) prison health care and food services. Project descriptions follow.

State Travel

Currently state agencies arrange their own travel on a case-by-case basis. Agencies utilize a variety of vendors and have no reference point for finding the most appropriate cost. Instead, agencies trust that the vendor provides arrangements that meet the customer's quality and price needs.

The CEO is working with the Financial Management Advisory Committee to study state travel. Potential solutions include contracting with a variety of vendors for arrangements at a percentage over cost. Additionally, a mechanism for checking prices with airlines, hotels, and other providers is being considered. During the study, the CEO will take into consideration local, small, and minority business concerns.

STATE COMPETITION/ CONSOLIDATION/ PRIVATIZATION OPPORTUNITIES

- Accounting
- Alcohol & Drug Treatment
- Auditing
- Campgrounds
- Computer Maintenance
- Data Processing
- Employee Training
- Food Services
- Housekeeping Services
- Facility Management
- Job Training
- Medicaid Processing
- Park Maintenance
- Pest Control
- Printing
- Prison Health Care
- Prison Education Services
- Prisoner Transportation
- State Fairgrounds
- Surplus Property Sales
- Vocational Rehabilitation

* List compiled by the MacKinac Center for Public Policy

State Procurement Cards

The State of Missouri spends a great deal of time and money processing equipment and supply orders, travel vouchers, and other items. Many businesses, on the other hand, have streamlined these processes by creating procurement cards.

Companies like Southwestern Bell have created employee procurement cards. Employees utilize the card to purchase specific commodities and travel, up to a specified amount. Control mechanisms are used to allow and reject certain purchases. The system allows the business to eliminate paperwork and costs associated with processing. Instead, electronic documents are sent to the company by the card issuer (i.e. American Express or other banks.) In turn, payment can be transferred electronically back to the vendor.

Payroll Administration

Many states and businesses utilize private contractors for payroll administration. Rather than conducting the function in-house, private firms can cut checks, track annual and medical leave, and provide a variety of other functions. Since these payroll administrators provide services for other companies, the cost of administering is often reduced.

The Council on Efficient Operations has asked the Office of Administration to review such possibilities and potential vendors. While the suggestion may not prove more economical, a greater understanding of the services available is needed.

Housekeeping Services

Maintaining the cleanliness of our working environments is vital to employee productivity. However, housekeeping services do not need to be provided in-house. Governmental organizations and businesses have found that their housekeeping costs can be lowered by contracting for the service. The CEO has asked the Office of Administration's Division of Facilities Management to assess the current state of housekeeping services and review possibilities for privatization.

Prison Health Care and Food Services

The cost of providing health care and food services in correctional facilities has been a concern for many years. Previously, state governments provided those services internally. However, the Department of Corrections has taken steps to contract with external providers.

The CEO has asked the Department of Corrections to consider the current status of both health and food services. In some instances, additional health services can be contracted out. As for food services, costs can be reduced by either privatizing the service or developing a centralized service that requires less preparation and management time by state employees.

CUTTING RED TAPE

The term “red tape” conjures up images of bureaucratic regulations, countless forms, and unnecessary steps. When citizens attempt to get service from the state, often they get frustrated with the maze of red tape. At the same time, public employees face a mountain of red tape when trying to complete their work.

While accountability and responsibility are necessary, many of state government’s rules and regulation have created needless red tape. At times, reporting structures and mechanisms have been developed to ensure accountability. But what was created is a tangled web of signature pages, guidelines, and steps that the end user must complete.

One example is state permitting. The State of Missouri issues permits for a wide variety of items, professions, and activities - beauticians, physicians, construction, water wells, underground storage tanks, fishing, hunting, and general business. Generally, permits are issued by the agency who has direct control over an activity. But if a company decides to build a new facility near a river port, it may need to get a permit from the Department of Natural Resources, another from Economic Development, and one from some other agency. Currently, that process means applying to each agency. To reduce costs and be more customer focused, Missouri can coordinate its permitting structures.

REACHING THE GOAL

In improving Missouri state government, a continuing objective shall be to cut red tape. The Council on Efficient Operations will work with state agencies, the Governor, and the legislature to reduce unnecessary steps and streamline our processes, systems, and procedures. To fundamentally change state government, the CEO will focus on the following *objectives*:

To begin, the CEO will assist state agencies by sponsoring statewide efficiency projects. Many of the efficiency issues are those which cross departmental boundaries. By coordinating and facilitating agency discussions, agencies can reduce red tape barriers and increase effectiveness and efficiency.

The CEO will also work with the appropriate individuals and organizations to: 1) reduce and eliminate unnecessary rules and regulations; and 2) streamline government operations. While accountability is important, we can remove redundant steps that create waste and increase cost. The CEO will complete this work in its sponsored project, and aid agencies in their individual efforts.

Finally, the CEO will report efficiency opportunities and barriers to the Governor and legislature. With their help, state government can streamline its operations and reduce costs.

OBJECTIVES:

- ◆ Assist state agencies by sponsoring statewide efficiency projects.
- ◆ Reduce and eliminate unnecessary rules and regulations.
- ◆ Streamline government operations and processes.
- ◆ Report efficiency opportunities, improvement recommendations, and barriers to the Governor, Speaker of the House, President Pro-Tem of the Senate, and departments.

PROGRESS TOWARD THE GOAL

Progress toward cutting red tape in state government is just beginning. The Council on Efficient Operations has begun assisting state agencies in efficiency projects. The CEO is also working on other measures to streamline operations and reduce the number of steps required by rules and regulations. Finally, the CEO is developing a format for conveying information to the Governor, the legislature, and citizens.

PROJECTS THAT CUT RED TAPE

Currently, the CEO is working on several projects that cut red tape. As mentioned earlier, statewide permits will be reviewed by the council. Additionally, the council will address: 1) supply acquisition and distribution; 2) statewide delivery systems; 3) issuance of vendor checks; 4) professional registration and licensing; and 5) annual wage order distribution.

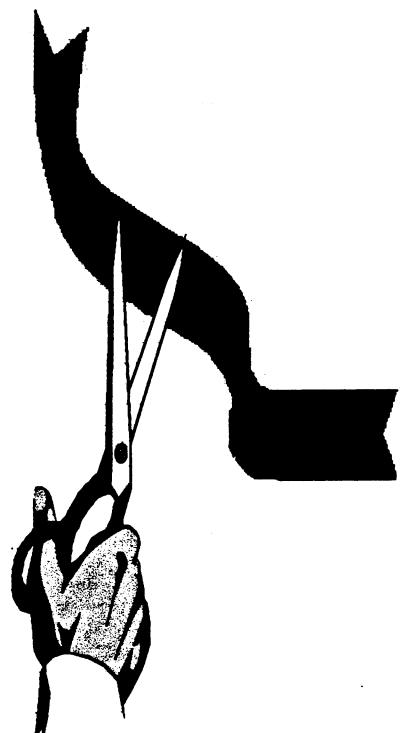
Statewide Permits

Currently, each state agency issues permits for activities, professions, and items that fall under their authority. However, when an item or activity crosses departmental boundaries, the customer must submit multiple applications. Several states, however, have streamlined the permit process. Rather than issuing permits from separate agencies, some states have issued one permit, which has authorization from multiple agencies.

Supply Acquisition and Distribution

The State of Missouri is committed to optimizing its system of acquiring and distributing supplies. While employees must have necessary tools available, the CEO hopes to reduce the cost of associated with providing those tools. To meet such goals, system duplication and inventory investment must be reduced. Where possible, the CEO hopes to coordinate among departments and increase the use of environmentally conscious products.

To optimize the acquisition and distribution of supplies, the "Supply Acquisition and Distribution Team" has been organized and is made up of the best qualified employees. Our expectations are that: 1) the system of ordering and distributing supplies will be improved; 2) the team's group performance will be a rewarding experience for all; and 3) the intra- and inter-departmental relationships developed will aid in future courses of action. The CEO expects periodic progress reports so that it can provide re-direction or re-focusing, while giving the team the resources



and freedom to function effectively.
Statewide Delivery Systems

Currently, state agencies deliver and receive a variety of items through interagency delivery mechanisms. These items include furniture, supplies, equipment, mail, and other goods. With the number of vehicles and delivery systems, there is the potential for duplicative and redundant services.

The CEO plans to study statewide delivery systems to see how they can be better coordinated, consolidated, or privatized.

Vendor Checks

Like other states, Missouri state government issues checks to vendors that have sold goods or services to the state. Depending upon the service provided, checks can often be for small dollar values. Checks that are issued for a few cents or even a few dollars often cost more to issue and process than they are worth.

The CEO will work with the Financial Management Advisory Committee to address this issue. Potential solutions have not yet been identified, but electronic transfer of funds and combining several agencies checks to equal a larger amount seem possible.

Professional Registration and Licensing

Beauticians, physicians, pharmacists and other professions must register with and be licensed by the Department of Economic Development on an annual basis. Licensing was first created to hold the professionals accountable for their work and to ensure that they held the appropriate knowledge, skills, and abilities to practice. However, the annual registration process is burdensome and costly to our customers.

Missouri state government could alter the process for registering and licensing certain professions. Rather than annually, certain licenses could extend for longer periods of time. Additionally, those who apply for more than one type of license could submit one application. The CEO has asked the Department of Economic Development to review this issue and review other states' actions.

Annual Wage Order Distribution

Annual Wage Orders are distributed to vendors with each request for proposals (RFP). The vendor receives an order for each RFP they receive. This costs the agency printing and shipping charges, when the vendor may not need another copy.

The CEO will work with the Office of Administration to address the issue and find the appropriate and efficient method for distributing the wage orders.

CONCLUSION

Improving any organization is difficult - regardless of size, structure, private or public. Still, Missouri state government has proven its willingness and readiness to change over the past four years. Through the Commission on Management and Productivity and other efforts, we have achieved reforms when no one thought it was possible.

Changing the operations of state government can and will succeed. In order to prepare for the 21st century, we must streamline our operations, deliver effective and efficient goods and services, and surpass citizen expectations.

The improvements outlined in this report will not happen overnight. Several efficiency projects can be resolved within months, while developing an organizational culture that supports quality and continuous improvement will take several years. But, with the commitment of Governor Mel Carnahan and Lieutenant Governor Roger B. Wilson, these changes can be realized.

The changes included in this report, and those that will follow, will dramatically alter the face of state government. To realize the change, everyone must be involved and lend their support. The CEO asks that state employees, the legislature, and state-wide elected officials make quality and efficiency one of their top priorities.

It is our goal to give the Missouri citizens a responsive government. Together, we will achieve the Missouri Vision and stake out a successful and secure future.

